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DEPARTMENT OF TREASURY
LANSING

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TO: Participating Schools and Lenders

FROM: Patricia W. Scott, Director *PWS*

DATE: February 18, 2004

SUBJECT: Educational Loan Notes

THE NATIONAL STUDENT CLEARINGHOUSE

The National Student Clearinghouse (Clearinghouse) is the nation's most trusted source for postsecondary student degree and enrollment verification. As an agent for more than 2,700 colleges and universities around the United States, the Clearinghouse maintains records for nearly 60 million current and former students, as well as borrower data from participating guarantors, lenders, and loan servicers. It is the mission of the Clearinghouse to serve as the central repository and single point of contact for the collection and timely exchange of accurate, comprehensive student records.

The Michigan Guaranty Agency (MGA) has been a participating partner with the Clearinghouse for a number of years, and pays the fee for this service to Federal Family Education Loan Program (FFELP) schools in Michigan. Presently over 42 FFELP schools have taken advantage of the services available through the Clearinghouse. These Clearinghouse services include:

- Secure electronic data exchanges with member guaranty agencies, lenders, and servicers.
- Automatic processing of all National Student Loan Data System (NSLDS) enrollment reporting (formerly known as SSCRs—Student Status Confirmation Reports).
- Enrollment reporting that complies with the Family Educational Rights and Privacy Act (FERPA).
- Secure Web site access.
- Audit trail of all Clearinghouse verifications.
- Student enrollment histories (as reported to the Clearinghouse).
- Option to include *DegreeVerify* and *EnrollmentVerify* services.
- *Online transcript ordering*. (This is a new feature that is currently being offered to pilot schools.)

Students benefit when their schools participate with the Clearinghouse by:

- Avoiding inappropriate lender collection efforts during in-school and deferment periods.
- Obtaining in-school deferments promptly.
- Gaining Web site access to information on student loans and enrollment histories.
- Ability to print enrollment certificates.

If schools are interested in joining the Clearinghouse, they should contact Don Gwinn, Clearinghouse Representative, at 847-491-1335 to discuss start-up, the Clearinghouse Participation Agreement, implementation procedure, and an implementation schedule. Additional information about the Clearinghouse may be obtained from their Web site at www.nationalstudentclearinghouse.org.

REMINDER REGARDING 1098-T FORM

Schools are reminded that regulations governing IRS Form 1098-T have changed effective with the 2003 tax year. All fields of the 1098-T must now be completed before they are sent, either on paper or electronically, to students.

This new requirement means that schools must now enter the financial data needed to determine a student's eligibility for the Hope and Lifetime Learning tax credits. Previously, it was the filer's responsibility to obtain that financial information.

Schools may wish to refer students and parents inquiring about the tax credits to the following IRS link: www.irs.gov/pub/irs-pdf/f8863.pdf.

Instructions for institutions on filing the 1098-T forms can be downloaded at www.irs.gov/pub/irs-pdf/i1098et3.pdf.

Questions about full reporting requirements for the 1098-T may be directed to the Education Tax Credits Resource Page on the National Association of College and University Business Officers (NACUBO) Web site at nacubo.org.

TIPS FOR USING THE INTEGRATED COMMON MANUAL

Many *Common Manual* users may still be hanging on to their old tried-and-true paper copies because they feel a bit uncomfortable navigating through the electronic versions. For that reason, we are offering a few tips for finding your way around the *Integrated Common Manual* (ICM). You can access the ICM at the National Council of Higher Education Loan Programs (NCHELP) Web site.

Because the ICM is provided in a PDF format, you will need to have access to Adobe Acrobat Reader. This program can be downloaded for free at adobe.com.

When you open the ICM, you will see a toolbar that is common to all files provided in a PDF format. As you move your mouse over the various buttons on the toolbar you will see a description of the function for each button. The following buttons on the toolbar activate features that will assist you in your use of the *Integrated Common Manual*.

Find Button



Click on the small binoculars to search for a particular word or phrase within the document. It is recommended that you first go to Chapter 2 of the ICM before using the search button to avoid potentially irrelevant "hits" on your search word(s). Also, if you know what chapter the information is likely in, begin your search on the first page of that chapter. Click the *Find Again* button to search for the same word further within the document.

Show/Hide Navigation Pane Button



This button, located to the right of the Find Tool, displays or hides the document's table of contents.

Navigation Buttons



The next set of buttons helps you to move around within the document. The first button, showing a straight line and an arrow pointing left, will move you to the first page of the document when clicked. Likewise, the right pointing arrow and the straight line will move you to the last page. Clicking on the arrow pointing right (or left) will move the document forward (or backward) one page at a time.

Selection Buttons



The button showing a small hand is appropriately called the **Hand Tool**. This button moves the page, and it also allows you to click on links within the document.

The button to the right of the Hand Tool is the **Zoom In Tool**. When clicked, this button will either magnify or reduce the size of the document.

The next button is the **Text Selection Tool**. This button will allow you to highlight text so you are able to copy and paste into another document. To use this feature, highlight the text with the Text Selection Tool. Copy the text you have selected by going to "Edit" and then clicking "Copy" from the drop down menu. Next, simply click the "Paste" button in the word processing program you are using for your new document. Please note that when pasting integrated text, strikethroughs and underlines showing revisions to the *Integrated Common Manual* will be lost.

For more help in navigating through the ICM or any other PDF file, go to adobe.com and check out their Adobe Reader User Guide.

JOIN THE COMMON MANUAL PUBLIC LISTSERV TO STAY INFORMED

The *Common Manual* (CM) Governing Board and Policy Committee communicate CM business and information to the financial aid community and other interested parties through the use of a public listserv. By subscribing to the listserv, you will receive information regarding the policy development process and other CM activities. Information routinely distributed through the CM Public Listserv includes:

- **Draft policy proposals** – When you subscribe to the listserv, you are given the opportunity to easily review policy proposals and to communicate with the Governing Board and Policy Committee regarding the proposed policy changes.
- **Timeline documentation for policy proposals in process** – There is no need to wonder what is happening with a particular policy proposal. As a *Common Manual* Public Listserv member you will know exactly where in the process that proposal stands.
- **Final policies approved by the *Common Manual* Governing Board** – As a listserv subscriber, you will receive quick notification of policy changes.
- **Common Bulletin Language** – Receive information regarding *Common Manual* language changes, including summaries of approved policies.
- **Policy Committee activities** – Be kept abreast of the happenings within the *Common Manual* Policy Committee.
- **Industry surveys** – Have a voice in surveys relating to the financial aid community.

To subscribe to the *Common Manual* Public Listserv, send an email message to majordomo@michael.usagroup.com. Leave the subject link blank, and type “Subscribe Public” in the body of the message. Once you have been subscribed you will receive a welcome message from the listserv. **It is important to note that if you choose to reply to any information through the listserv, all subscribers will receive your comments.**



Customer Services Representative,
Justin Draeger

MEET OUR NEWEST EMPLOYEE

MGA is pleased to introduce Justin Draeger, our most recent addition to the Customer Services Unit. Justin joined the MGA team at the beginning of February, and is busy gaining a guarantor’s perspective of loan processing under the tutelage of Phil Trapp and Linda Sanchez.

Justin has lived in many different locations around the country including Ohio, California, Washington, and most recently Utah, where he finished college at Brigham Young University. He comes to MGA from the financial aid office at Douglas J. Aveda Institute where he packaged, processed, and monitored federal student aid. Justin is most proud of the Default Prevention Program he initiated at the academy, which has helped to lower and maintain their cohort default rate. Justin’s experience in financial aid is an additional asset to MGA’s Customer Services area.

Justin currently resides in Lansing with his wife Deanne and their baby daughter Sophia (born January 21, 2004). In his free time Justin enjoys teaching classes for Lansing Parks and Recreation, working in his yard, and tackling home projects where, according to his wife, he is often “in over his head.” Being a brand new dad, Justin sometimes looks as if he is walking around half dazed, but rest assured that he is wide awake, alert, and excited to be working at MGA! Please help us welcome Justin. He can be reached at 1-800-642-5626, extension 31940 or via email at draegerj@michigan.gov.



SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 23, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Address Changes

Wayne County Community College, Detroit, ADMIN Location

Delete 1001 West Fort Street. Please use 801 West Fort Street.

Ross Medical, Ann Arbor, 023397-00

Delete 4703 Washtenaw. The new address is 4741 Washtenaw, Ann Arbor, MI 48108-1411.

Title Changes

Northwestern Michigan College, Traverse City, 002302-00

Deb Faas' title is Financial Aid Director.

University of Michigan Medical School, Ann Arbor, 002325-01

Carmen Colby's title is Financial Aid Director.

University of Michigan School of Dentistry, Ann Arbor, 002325-02

Mary Gaynor's title is Financial Aid Director.

Wayne State University, Detroit, 002329-00

Cathy Kay's title is Interim Financial Aid Director.

Q & A

What types of loans are available by lenders under FFELP?

There are several types of education loans currently offered by lenders under FFELP:

- Subsidized and unsubsidized Federal Stafford loans. These are available for eligible students who are attending a participating postsecondary school.
- PLUS loans. This type of loan is available for an eligible parent of a dependent undergraduate student who is attending a participating postsecondary school.
- Federal Consolidation loans. Consolidation loans are available to borrowers who want to combine their outstanding education loans into a single loan with a single monthly payment. [2003 *Common Manual*, 2.1.B]

I have seen loans called Federal Supplemental Loans for Students (SLS). What type of loan is that?

Before July 1, 1994, Federal SLS loans were available to eligible students attending participating postsecondary schools. The Federal SLS Program was discontinued effective July 1, 1994. All SLS loans first disbursed before July 1, 1994, retain the terms and conditions established under the Federal SLS Loan Program. [2003 *Common Manual*, 2.1.B]

Before we certify a borrower's loan amount, our institution has to identify our academic year. How is this done?

An academic year is a period of at least 30 weeks of instructional time that begins on the first day of classes and ends on the last day of classes or examinations. During this period, a full-time undergraduate student would be expected to complete a minimum



(Continued on the next page.)

of 24 semester or trimester hours, or 36 quarter hours. For a school measuring academic progress in clock hours, the student would be expected to complete at least 900 clock hours of instructional time. [2003 *Common Manual*, 6.1 CFR §668.3]

Some of our borrowers will have a credit on their account after they receive their loan funds. How long can we keep the credited funds?

Any time the delivery of FFELP funds creates a credit balance, the school must pay the final credit balance directly to the student or parent borrower as soon as possible, but no later than 14 days after one of the following:

- The first day of the payment period if the credit balance occurs on or before the first day of the payment period.
- The date the credit balance occurs if the credit balance occurs after the first day of the payment period.
- The date the school receives notice from the student or parent borrower to cancel his or her authorization to have the school manage the credit balance. [2003 *Common Manual* 8.8.A CFR §668.164(e); §668.165(b)]

What is the difference between a consummated and unconsummated loan?

A consummated loan is a loan for which a disbursement check has been negotiated or Electronic Funds Transfer (EFT) or master check funds have been delivered to the borrower. For example, the loan would be considered consummated if the borrower had cashed the check, (if an individual check,) or the school had applied the proceeds to the student's account, (if included in a master check or EFT transmission before the school returned the proceeds to the lender.)

An unconsummated loan refers to loan proceeds that the school returned to the lender prior to the borrower's having cashed the check, (if an individual check,) or the school having applied the proceeds to the student's account, (if included in a master

check or EFT transmission.) This includes checks that may have been released by the school but remain uncashed by the 120th day following disbursement and EFT and master check transactions that have not been completed by the 120th day following disbursement. [2003 *Common Manual*, Appendix G: Glossary]

Can our institution include an earlier period of eligibility when certifying a Stafford loan?

To include an earlier period of eligibility when certifying a Stafford loan, the student must have completed at least a half-time courseload in that period. At a term school, all completed coursework counts toward enrollment status, including F's and incompletes. For instance, you could include the Fall term and its costs when certifying a loan for the student in the Spring, if your school's half-time standard is 6 credit hours and the student received a B and an incomplete in two 3-hour courses taken that Fall.

If a student attended the previous payment period but did not maintain eligibility for a Stafford loan, you may not include the previous payment period or its costs in the loan period. [2003-2004 *Federal Student Aid Handbook*, Volume 8, Chapter 6, Page 63]



**Check out MGA's
updated phone directory
attached to this issue of
Educational Loan Notes.**

Calendar of Upcoming Events

March 2004

- 9 Mapping Your Future Evening Chat
for Adult Students
- 29-31 ED Spring Conference
Sheraton New York Hotel and Towers
New York, New York

April 2004

- 6 Mapping Your Future Daytime Chat
Student Loan Default Prevention

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via e-mail at peterstonj@michigan.gov.

LOAN NOTES

February 2004

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